

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: PINT, EFIN, SP
SUBJECT: PROPOSED FISCAL REFORM MEASURES BEFORE PARLIAMENT

REF: MADRID 5887

1. MAIN ELEMENTS OF THE CONTROVERSIAL DRAFT LAW ON URGENT FISCAL MEASURES WHICH FINANCE MINISTER FERNANDEZ ORDONEZ PRESENTED TO PARLIAMENT AUGUST 9 ARE SURTAXES ON NET WORTH AND HIGHER SALARIES, INCREASED TAXES ON LUXURIES, INSTITUTION OF TAX EVASION AS CRIME, MORATORIUM ON PAST TAX EVASION, EXAMINATION OF BANK ACCOUNTS, AND MEASURES TO IMPROVE TAX INVESTIGATION. THE GOVERNMENT ESTIMATES THAT ADDITIONAL REVENUE NEXT YEAR FROM THESE MEASURES WILL BE 22 BILLION PESETAS (\$264 MILLION).

2. THE PROPOSED NEW WEALTH (PATRIMONIO) TAX IS AN EXTRAORDINARY AND PROGRESSIVE TAX ON NET WORTH ABOVE 5 MILLION PESETAS (\$60,000). THE RATE OF THE SURTAX
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WILL RANGE FROM ONE-HALF PERCENT ON NET WORTH FROM 5 OT 100 MILLION PESETAS (\$1.2 MILLION) UP TO 1 PERCENT ON NET WORTH OF 500 MILLION PESETAS (\$6 MILLION) OR MORE. THIS TAX IS EXPECTED TO BRING ADDITIONAL REVENUE OF 15 BILLION PESETAS (\$180 MILLION) DURING 1977.

3. THE PROPOSED SURTAX ON SALARIES IS 5 PERCENT ON

ANNUAL SALARY IN EXCESS OF 2 MILLION (\$24,000).
THE TAX WOULD BE IN ADDITION TO THE 12 PERCENT TAX ALREADY
WITHHELD ON ALL SALARIES AND WAGES. THIS TAX IS EXPECTED
TO AFFECT ABOUT 60,000 PEOPLE AND TO PRODUCE AN ADDITIONAL
REVENUE OF 3 BILLION PESETAS (\$36 MILLION) DURING 1977.

4. INCREASED LUXURY TAXES PROPOSED ARE ON ALCHOLIC
BEVERAGES (FROM 28 TO 75 PERCENTL), ON PRIVATE AIRCRAFT,
AND ON PRIVATE SAIL AND MOTOR BOATS. ADDITIONAL REVENUE
NEXT YEAR FROM THESE TAXES IS EXPECTED TO BE 4 BILLION
PESETAS (\$48 MILLION).

5. THE PROPOSED NEW LEGISLATION WOULD MAKE TAX EVASION
A CRIME PUNISHABLE BY UP TO 3 YEARS IN JAIL WHEN THE
AMOUNT OF EVASION EXCEEDS \$24,000 OR 10 PERCENT OF THE
TAX OWED. A MORATORIUM, BUT NOT AN AMNESTY, WOULD BE
APPLIED TO PAST TAX EVASION. EXAMINATION OF BANK
ACCOUNTS WOULD BE PERMITTED, AND THE TAX INSPECTION
CORPS WOULD BE AUGMENTED SIGNIFICANTLY.

6. COMMENT. OF ALL THESE MEASURES, THE WEALTHY ARE MOST
OPPOSED TO THE NEX TAX ON NET WORTH AND TO THE RELAXATION
OF BANK SECRECY LAWS TO PERMIT EXAMINATION OF BANK
ACCOUNTS. NEVERTHELESS, THE GOVERNMENT WILL PRESS HARD
FOR EARLY PARLIAMENTARY APPROVAL OF ALL THE FISCAL
MEASURES SINCE THEY ARE NECESSARY, ALTHOUGH POSSIBLY
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NOT SUFFICIENT, ACTION TO OBTAIN LABOR AGREEMENT TO
RESTRAINT ON WAGE DEMANDS.STABLER

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Message Attributes

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